

**THE NARRAGANSETT ELECTRIC COMPANY**

**R.I.P.U.C. No. 3463**

**SUPPLEMENTAL TESTIMONY OF**

**Laura G. McNaughton**

NARRAGANSETT ELECTRIC COMPANY

RIPUC DOCKET NO. 3463

Witness: McNaughton

1           SUPPLEMENTAL DIRECT TESTIMONY OF LAURA G. MCNAUGHTON

2           Q. Please state your name and business address.

3           A. My name is Laura G. McNaughton and my business address is 55 Bearfoot Road,  
4           Northborough, Massachusetts 01532.

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6           Q. By whom are you employed and in what capacity?

7           A. I am employed by the National Grid USA Service Company, an affiliate of The  
8           Narragansett Electric Company. My position is Manager of Residential Services. In  
9           that capacity, I oversee the implementation of residential energy efficiency programs  
10          for the New England National Grid USA distribution companies, including  
11          Narragansett Electric.

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13          Q. Have you provided testimony earlier in this proceeding?

14          A. Yes. My direct testimony in this proceeding was submitted to the Commission on  
15          September 6, 2002. In addition, I testified before the Commission at the October 28,  
16          2002 technical conference in this proceeding.

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18          Q. What is the purpose of your supplemental testimony?

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5 A. My supplemental testimony is intended to address the first of seven issues raised by  
6 the Commission about market transformation in the residential lighting and clothes  
7 washers product markets. Specifically, the Commission has asked the Company to  
8 provide evidence supporting any claim that market transformation has occurred  
9 through specific DSM programs. Since discussion at the Technical Conference  
10 centered on the Compact Fluorescent Lights (CFLs) and clothes washer rebates, the  
11 Company is addressing these two areas with respect to this question.

12

13 **DISCUSSION OF MARKET TRANSFORMATION**

14 Q. What is market transformation?

15 A. The Consortium for Energy Efficiency, a nationally recognized organization that  
16 promotes energy efficiency and market transformation programs, defines market  
17 transformation as follows:

18 Market Transformation is a strategy that promotes the manufacture and purchase of  
19 energy-efficient products and services. The goal of this strategy is to induce lasting  
20 structural and behavioral changes in the marketplace, resulting in increased adoption  
21 of energy-efficient technologies.

22  
23 A major aspect of many Market Transformation strategies is the establishment of a  
24 common efficiency specification, to be used as a voluntary guideline for  
25 manufacturers and efficiency programs around the country. This sends a uniform  
26 message to manufacturers about the importance of efficiency in their products and the  
27 level of efficiency that a large number of consumers will demand. At the same time,  
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4  
5 utilities and energy organizations set up consumer awareness and education programs.

6  
7 In some cases, financial incentives (rebates) are offered to consumers and/or  
8 distributors in an attempt to “kick start” the sales of energy-efficient products.  
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11 Q. Why is the Company introducing this definition into the record?

12 A. The Company has found that there can be significant and reasonable disagreement  
13 among knowledgeable parties about exactly what market transformation is and  
14 whether or not it has occurred. In fact, because federal appliance standards and  
15 ENERGY STAR standards will continue to rise over time, one could argue that markets  
16 are always striving to achieve market transformation, and in fact never really get  
17 there. For CFLs, the problem of defining a transformed market is further complicated  
18 because no one believes that CFLs are appropriate for all residential applications.  
19 Accordingly, it is not possible to definitively say that market transformation has taken  
20 place. Therefore, in testimony and data responses, my approach has been to talk  
21 about market effects, market activities, and specific market changes rather than  
22 claiming that market transformation has taken place.  
23

24 **RESIDENTIAL LIGHTING AND CLOTHES WASHER MARKETS**

25 Q. Is there evidence of market changes in the residential lighting and clothes washer  
26 markets?  
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4 A. Yes, the Company has identified a number of positive market changes. The Company  
5 describes this data in detail in its response to the Technical Session Record Request 5.  
6 This is attached to this testimony as Schedule LGM-1.

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8 Q. Was it Narragansett Electric's intention to suggest that any residential rebate program  
9 be discontinued because market transformation had taken place?

10 A. No. The Company has not proposed to discontinue rebates for plain vanilla CFLs or  
11 for clothes washers because market transformation has taken place. Rather, the  
12 Company is proposing alternative program implementation strategies because they  
13 may be more effective than traditional rebate programs. The Company believes that  
14 by aligning its programs with the strategies being used by other regional utilities and  
15 market allies to increase the contribution of manufacturers and retailers to promotions,  
16 lower costs and better marketing of CFLs and clothes washers will result.

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18 Q. Was it Narragansett Electric's intention to suggest that rebate programs be  
19 discontinued in Rhode Island because they were stopped in Massachusetts?

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1 A. No. Narragansett Electric did not intend to suggest that programs be discontinued in  
2 Rhode Island because they were stopped in Massachusetts. The Company's intention  
3 was to provide an example of successful program activities in another state. The  
4 Company has supplemented the information about Massachusetts with information  
5 from the State of Washington in Schedule LGM-1.

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7 **DISCONTINUATION OF RESIDENTIAL REBATES**

8 Q. Why is the Company proposing to stop continuous Clothes Washer rebates when the  
9 market share of ENERGY STAR Clothes Washers in Rhode Island is lower than  
10 surrounding states?

11 A. The continuity and level of rebate may not be the most important factor in increasing  
12 market share, based on data from other states. Rhode Island's market share has been  
13 steadily increasing, but has stayed about 10% or more behind Washington State and  
14 Massachusetts since late 1999/early 2000. Washington State and Massachusetts  
15 market shares have increased considerably in the last year with variable or no rebates.  
16 Based on the experiences in these states, the Company believes that it is worthwhile  
17 to pursue the proposed strategy in Rhode Island. Working more closely with retailers  
18 and manufacturers on promotions of their design may have a great impact on  
19 consumers than continuing the current rebate. If we learn that Rhode Island  
20 consumers respond differently than the consumers in either Washington or  
21 Massachusetts, the Company might request the reinstatement of the continuous rebates  
22 here.

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Q. Is it possible to continue standard rebates and also add promotions suggested by manufactures and retailers?

A. Yes, it is. However, it can contribute to consumer confusion and over payment of rebates on specific products and raises a number of difficult questions. If a specific product is covered by both a standard rebate and a promotional rebate, can the consumer apply for both? Only one? Which one? Are manufacturers and retailers likely to make significant contributions toward rebates and promotions if the utility indicates a willingness to pay the entire amount? The answers to these questions will probably be different for different products and different market allies.

Q. Does that conclude your supplemental testimony?

A. Yes, it does.

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**SCHEDULE LGM-1**

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**Rhode Island Public Utilities Commission Technical Session Record Request 5**

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